

PUBLIC DISCLOSURE

AUGUST 28, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FENWAL CREDIT UNION

400 MAIN STREET
ASHLAND, MA 01721

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

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| <p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p> |
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income borrowers, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its designated assessment area.

This document is an evaluation of the CRA performance of **FENWAL CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **August 28, 2006**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The assessment of Fenwal Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. On May 16, 1997, the state CRA regulation 209 CMR 46.00 became effective. Credit unions whose membership by-laws provisions are not based upon residence were now permitted to designate its membership as its assessment area. Therefore, since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted; as such an analysis would not be meaningful. Therefore, this evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various incomes, including low- to moderate-income members; and the Credit Union's fair lending performance.

Deposits from the membership are returned to members in the form of consumer installment loans. Loan-to-share ratios are at a satisfactory level. The distribution of loans to borrowers of different income levels is considered excellent and is representative of the membership.

The Review of Complaints and Fair Lending section indicates that the Credit Union has made reasonable efforts in attracting all applicants within its membership.

PERFORMANCE CONTEXT

Description of Institution

Fenwal Credit Union is a financial institution that was chartered in 1945 by the Commonwealth of Massachusetts. As of March 31, 2006, the institution had total assets of \$2,364,796. The Credit Union has a single full-service office located on the premises of Kidde Fenwal, Incorporated at 400 Main Street in Ashland. Kidde Fenwal is a manufacturer of products for fire suppression and controls.

The Credit Union offers limited informational online services whereby members can download credit applications and send by facsimile or mail to the Credit Union to be processed. Office hours are convenient and appear to be accessible to all members.

As of March 31, 2006, the Credit Union's loan portfolio totaled \$1,374,994, or 58.1 percent of the Credit Union's total assets. The largest portion of the loan portfolio is comprised of used vehicle loans with 36.8 percent of total loans outstanding. New vehicle loans are next with 22.8 percent followed closely by unsecured loans at 21.1 percent. Equity loans represent 18.2 percent of the portfolio with all other loans making up the remainder with less than 2 percent.

The Division on August 9, 2001 last examined the Credit Union for compliance with the CRA. That examination resulted in a CRA rating of "Satisfactory".

Description of Assessment Area

In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's bylaws membership "...is limited to those who are employees of Kidde-Fenwall, Inc... Membership eligibility also extends to immediate family members of the employee. The relationship of an immediate family member as defined by these By-laws will include, spouse, mother, father, sister, brother, children, legally adopted children, stepchildren, grandparents, and grandchildren. A member or former employee who was a member or is a member of the Credit Union at the time his/her employment ended is eligible to remain a member forever or until his/her membership is interrupted."

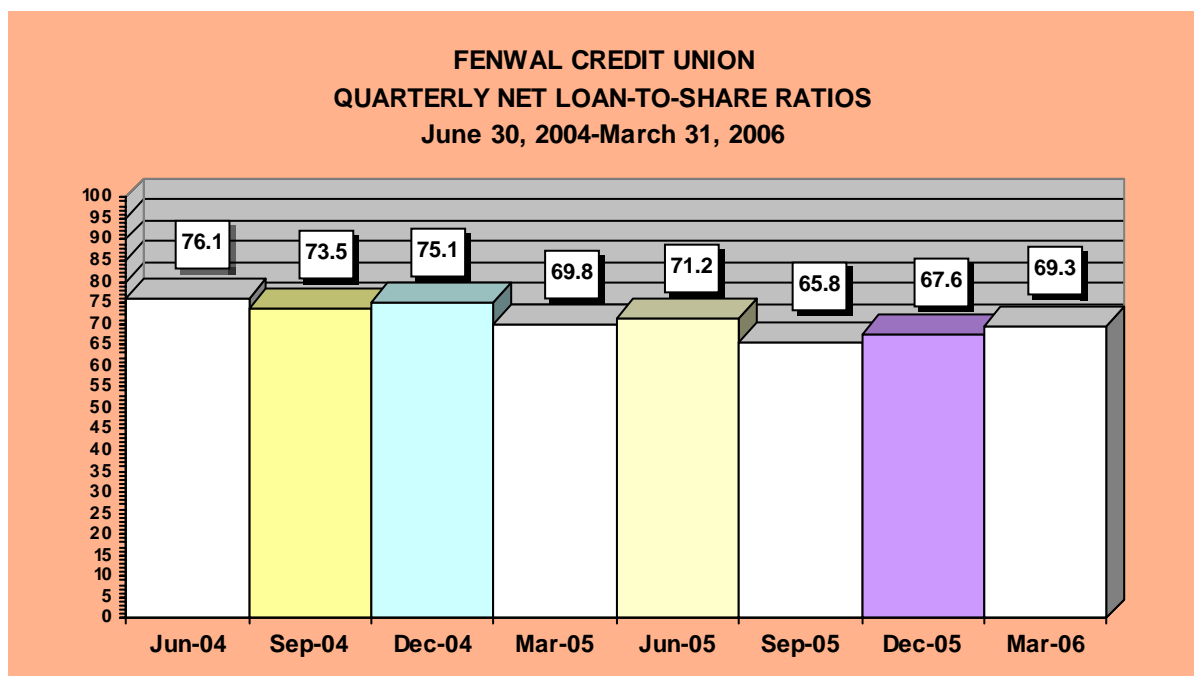
As of March 31, 2006, the Credit Union's membership totaled approximately 585 out of a potential total of 800 individuals. The Credit Union's loan data indicates that the majority of the credit extended is in the form of unsecured credit. A review of loan data for year-end 2005 indicated that the loan portfolio was comprised of 149 unsecured loans or 55 percent of the loan portfolio.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of the membership, the analysis of Fenwal Credit Union's net loan-to-share ratio indicates that the Credit Union meets the standards for satisfactory performance.

An analysis of the Credit Union's net loan-to-share (LTS) ratio was performed using National Credit Union Administration ("NCUA") quarterly call report data for the period June 30, 2004, through March 31, 2006. The analysis was conducted to determine the extent of the Credit Union's lending compared to deposits received from its membership. The average net LTS for the period reviewed was 71.0 percent. As illustrated in the chart below, the Credit Union's ratios have been moderately stable with only slight fluctuations during the last eight quarterly time periods.



Comparison of the Credit Union's net loan-to-share ratio to that of other industrial credit unions was also performed. As of March 31, 2006, Fenwal Credit Union had total assets of approximately \$2.3 million and a net LTS ratio of 69.3 percent, a percentage that is satisfactory for a credit union of its size and type. The ratios of three other similarly situated credit unions are reflected in the following table.

| COMPARATIVE NET LOAN TO TOTAL SHARE RATIOS* | | |
|---|--------------|--------------------|
| Credit Union | Total Assets | Net LTS Ratios (%) |
| Fenwal | 2,364,796 | 69.3 |
| Brockton Postal Employees | 12,460,250 | 59.0 |
| Lynn Teachers | 4,549,666 | 33.0 |
| Attleboro Municipal Employees | 12,705,363 | 26.8 |

* As of March 31, 2006

PERFORMANCE CRITERIA (CONTINUED)

Based on the preceding information, the Credit Union's performance level is considered satisfactory.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union's lending, based upon the analysis of consumer loans by borrower income, exceeds the standards for satisfactory performance in providing credit to members of all income levels.

A 3 percent sample of the Credit Union's consumer loan data for calendar years 2004 and 2005 each was analyzed in order to determine the distribution of credit based upon the income level of borrowers. The loan sample consisted of a mix of consumer installment loans, automobile loans and home equity loans. The borrower income analysis was based on the median family incomes for the Metropolitan Statistical Area ("MSA") or Metropolitan Division¹ ("MD") in which the loan originated.

The four income categories that define the income level of borrowers² include low, moderate, middle and upper-income. The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the MSA or MD.

The following tables indicate loans originated and categorized by the applicants' reported income in relation to the median family income for the MSA or MD. All loans in the sample were to borrowers that reside in the Worcester MSA, the Boston-Quincy MD or the Cambridge-Newton-Framingham MD. Loans extended to borrowers within the low-income category represented the largest individual category with 50.0 percent of the total number and 47.7 percent of total dollar amount. Loans to moderate-income borrowers and upper-income both had 22.2 percent of the number. However upper-income borrowers represented 28.5 percent of the dollar volume and middle-income borrowers represented 13.2 percent of the dollar volume, respectively. This is expected since most of the middle and upper-income borrowers represented home equity loans which more commonly include two-income borrowers as opposed to the more commonly occurring single income borrowers for smaller personal loans.

¹ Effective for 2004, the Boston Metropolitan Statistical Area was subdivided to form smaller groupings of counties referred to as Metropolitan Divisions (MD). All of Middlesex County is now part of the subdivision referred to as the Cambridge-Newton-Framingham MD. All of Norfolk, Suffolk and Plymouth Counties are located in what is referred to as the Boston-Quincy MD. The Department of Housing and Urban Development (HUD) makes annual adjustments of median family income figures. The adjusted median family incomes for the Boston-Quincy MD for 2004 and 2005 were \$69,300 and \$70,400, respectively. The adjusted median family incomes for the Cambridge-Newton-Framingham MD for 2004 and 2005 were \$88,600 and \$89,350, respectively. The adjusted median family incomes for the Worcester MSA for 2004 and 2005 were \$69,900 and \$70,400, respectively.

² As defined by the U.S. Department of Housing and Urban Development (HUD) Low-Income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-Income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's median family income. Middle-Income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA's median family income, while Upper-Income is defined as income level that is equal to or greater than 120 percent of the MSA's median family income.

PERFORMANCE CRITERIA (CONTINUED)

| CONSUMER LOANS ORIGINATED BY INCOME OF BORROWER (Number) | | | | | | |
|--|------|-------|------|-------|--------|-------|
| %OF MEDIAN | 2004 | | 2005 | | Totals | |
| MSA INCOME | # | % | # | % | # | % |
| <50% | 3 | 37.5 | 6 | 60.0 | 9 | 50.0 |
| 50%-79% | 2 | 25.0 | 2 | 20 | 4 | 22.2 |
| 80%-119% | 0 | 0.0 | 1 | 10.0 | 1 | 5.6 |
| 120%> | 3 | 37.5 | 1 | 10.0 | 4 | 22.2 |
| TOTALS | 8 | 100.0 | 10 | 100.0 | 18 | 100.0 |

Source: Credit Union Loan Data 2004 and 2005

| CONSUMER LOANS ORIGINATED BY INCOME OF BORROWER (Dollar) | | | | | | |
|--|---------|-------|---------|-------|---------|-------|
| %OF MEDIAN | 2004 | | 2005 | | Totals | |
| MSA INCOME | \$(000) | % | \$(000) | % | \$(000) | % |
| <50% | 16.6 | 29.0 | 73.4 | 55.9 | 90.0 | 47.7 |
| 50%-79% | 10.0 | 17.5 | 10.0 | 7.6 | 20.0 | 10.6 |
| 80%-119% | 0 | 0.0 | 25.0 | 19.0 | 25.0 | 13.2 |
| 120%> | 30.7 | 53.5 | 23.0 | 17.5 | 53.7 | 28.5 |
| TOTALS | 57.3 | 100.0 | 131.4 | 100.0 | 188.7 | 100.0 |

Source: Credit Union Loan Data 2004 and 2005

Based upon the analysis of borrower income, the Credit Union demonstrates excellent performance in providing loans to borrowers of different incomes.

3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

Review of Complaints

There was no indication that the Credit Union received any complaints pertaining to its CRA performance since the previous examination. If such complaints or comments are received, however, management is encouraged to record the date of these correspondences.

Fair Lending Policies and Practices

The following information details Fenwal Credit Union's fair lending performance as it relates to the guidelines established by the Division's Regulatory Bulletin 2.3-101. There was no evidence of disparate treatment of credit applicants.

There is no indication that the Credit Union's staff has received any training relative to fair lending. The Credit Union employs 1 full-time and 1 part-time employee. The Credit Union offers home equity loans, automobile loans, and secured and unsecured personal loans. The Credit Union distributes credit product information through its direct mailings and internet web site.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (400 Main Street, Ashland, MA 01721)."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.